



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

City of Wickliffe
Lake County

Regular Audit

For the Years Ended December 31, 2018-2017

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OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
City of Wickliffe
28730 Ridge Road
Wickliffe, Ohio 44092

We have reviewed the *Independent Auditor's Report* of the City of Wickliffe, Lake County, prepared by BHM CPA Group, Inc., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Wickliffe is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 25, 2019

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City of Wickliffe
Basic Financial Statements
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City of Wickliffe
Basic Financial Statements
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Independent Auditor's Report

City of Wickliffe
Lake County
28730 Ridge Road
Wickliffe, OH 44092

Members of City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, Lake County, Ohio (the City), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements, referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, Lake County, Ohio, as of December 31, 2018 and 2017, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund thereof for the years then ended in accordance with the accounting principles generally accept dint he United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, schedules of net pension and other post-employment benefits liabilities, pension and other post-employment benefit contributions listed in the table of contents to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



BHM CPA Group Inc.
Piketon, Ohio
June 19, 2019

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

The discussion and analysis of the City of Wickliffe's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- ❑ In total, net position decreased \$1,657,750. Net position of governmental activities decreased \$1,105,255 from 2017. Net position of business-type activities decreased \$552,495 from 2017.
- ❑ General revenues accounted for \$14.7 million in revenue or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 26% of total revenues of \$19.9 million.
- ❑ The City had \$18.2 million in expenses related to governmental activities; only about \$3.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14.7 million were not adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$15.3 million in revenues and \$12.8 million in expenditures. The general fund's fund balance increased \$1,566,822 to \$6,521,631.
- ❑ Net position for enterprise funds decreased by \$552,495.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF WICKLIFFE, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2018*

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net-position (the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's sewer services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	Restated				Restated	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$12,614,421	\$9,576,916	\$1,103,108	\$1,493,651	\$13,717,529	\$11,070,567
Capital assets, Net	81,279,846	82,948,749	2,639,781	2,769,020	83,919,627	85,717,769
Total assets	<u>93,894,267</u>	<u>92,525,665</u>	<u>3,742,889</u>	<u>4,262,671</u>	<u>97,637,156</u>	<u>96,788,336</u>
Deferred outflows of resources	4,338,981	4,087,209	0	0	4,338,981	4,087,209
Net pension liability	15,223,694	16,891,855	0	0	15,223,694	16,891,855
Net OPEB liability	13,343,698	11,100,581	0	0	13,343,698	11,100,581
Other long-term liabilities	2,971,657	3,196,383	0	0	2,971,657	3,196,383
Other liabilities	776,401	641,801	162,110	129,397	938,511	771,198
Total liabilities	<u>32,315,450</u>	<u>31,830,620</u>	<u>162,110</u>	<u>129,397</u>	<u>32,477,560</u>	<u>31,960,017</u>
Deferred inflows of resources	4,746,280	2,505,481	0	0	4,746,280	2,505,481
Net position (deficit):						
Net investment in capital assets	80,071,757	81,556,706	2,639,781	2,769,020	82,711,538	84,325,726
Restricted	958,294	817,876	0	0	958,294	817,876
Unrestricted	<u>(19,858,533)</u>	<u>(20,097,809)</u>	<u>940,998</u>	<u>1,364,254</u>	<u>(18,917,535)</u>	<u>(18,733,555)</u>
Total net deficit	<u>\$61,171,518</u>	<u>\$62,276,773</u>	<u>\$3,580,779</u>	<u>\$4,133,274</u>	<u>\$64,752,297</u>	<u>\$66,410,047</u>

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, “Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27.” For fiscal year 2018, the City adopted GASB Statement 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan’s *net pension liability* or *net OPEB liability*.

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017 from \$73,326,922 to \$62,276,773 for Governmental Activities.

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

Changes in Net position – The following table shows the changes in net position for the fiscal year 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for Services and Sales	\$2,011,382	\$2,042,001	\$2,095,735	\$2,024,082	\$4,107,117	\$4,066,083
Operating Grants and Contributions	1,068,320	867,132	0	0	1,068,320	867,132
Capital Grants and Contributions	28,076	449,425	0	0	28,076	449,425
General revenues:						
Property Taxes	1,964,724	2,015,866	0	0	1,964,724	2,015,866
Municipal Income Taxes	11,113,870	9,192,265	0	0	11,113,870	9,192,265
Other Local Taxes	204,629	200,292	0	0	204,629	200,292
Grants and Entitlements	919,173	693,650	0	0	919,173	693,650
Investment Earnings	83,832	48,612	0	0	83,832	48,612
Miscellaneous	424,268	347,580	0	0	424,268	347,580
Total revenues	<u>17,818,274</u>	<u>15,856,823</u>	<u>2,095,735</u>	<u>2,024,082</u>	<u>19,914,009</u>	<u>17,880,905</u>
Program Expenses:						
Security of Persons and Property	8,682,576	7,866,945	0	0	8,682,576	7,866,945
Public Health and Welfare Services	73,060	103,204	0	0	73,060	103,204
Leisure Time Activities	984,030	1,005,595	0	0	984,030	1,005,595
Community Environment	146,273	158,599	0	0	146,273	158,599
Basic Utility Services	361,432	383,480	0	0	361,432	383,480
Transportation	3,392,455	4,047,529	0	0	3,392,455	4,047,529
General Government	5,250,195	5,655,384	0	0	5,250,195	5,655,384
Interest and Fiscal Charges	33,508	57,223	0	0	33,508	57,223
Sewer	0	0	2,648,230	2,277,448	2,648,230	2,277,448
Total expenses	<u>18,923,529</u>	<u>19,277,959</u>	<u>2,648,230</u>	<u>2,277,448</u>	<u>21,571,759</u>	<u>21,555,407</u>
Total Change in Net Position	(1,105,255)	(3,421,136)	(552,495)	(253,366)	(1,657,750)	(3,674,502)
Beginning Net Position, Restated	<u>62,276,773</u>	N/A	<u>4,133,274</u>	<u>4,386,640</u>	<u>66,410,047</u>	N/A
Ending Net Position	<u>\$61,171,518</u>	<u>\$62,276,773</u>	<u>\$3,580,779</u>	<u>\$4,133,274</u>	<u>\$64,752,297</u>	<u>\$66,410,047</u>

CITY OF WICKLIFFE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

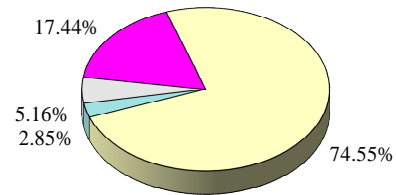
Governmental Activities

Net position of the City's governmental activities decreased by \$1,105,255. Much of this decrease can be attributed to the fact that depreciation on capital assets is \$1.6 million greater than the capital asset additions for the year.

The City also receives an income tax, which is based on 2% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 11% and 62% respectively of revenues for governmental activities for the City in fiscal year 2018. The City's reliance upon tax revenues is demonstrated by the following graph indicating 74.55% of total revenues from general tax revenues:

Revenue Sources	2018	Percent of Total
General Shared Revenues	\$919,173	5.16%
Program Revenues	3,107,778	17.44%
General Tax Revenues	13,283,223	74.55%
General Other	508,100	2.85%
Total Revenue	\$17,818,274	100.00%



Business-Type Activities

Net position of the business-type activities decreased by \$552,495. The only business-type activity the City operates is the Sewer Fund. Once again, most of this decrease can be attributed to the depreciation on capital assets for the year. Expenses related to running the Euclid Sewer plant increased slightly while revenues remained relatively stable from 2017 to 2018.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$8,428,372, which is an increase from last year's balance of \$6,277,141. The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of December 31, 2018 and 2017:

	Fund Balance December 31, 2018	Fund Balance December 31, 2017	Increase (Decrease)
General	\$6,521,631	\$4,954,809	\$1,566,822
Safety Services	4,113	0	4,113
Debt Service	90,234	80,235	9,999
Capital Projects	791,369	261,153	530,216
Other Governmental	1,021,025	980,944	40,081
Total	\$8,428,372	\$6,277,141	\$2,151,231

CITY OF WICKLIFFE, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2018 Revenues	2017 Revenues	Increase (Decrease)
Taxes	\$12,510,552	\$10,602,763	\$1,907,789
Intergovernmental Revenue	1,364,854	1,163,145	201,709
Charges for Services	314,003	347,841	(33,838)
Licenses and Permits	389,999	726,961	(336,962)
Fines and Forfeitures	148,525	136,595	11,930
Investment Earnings	83,832	48,612	35,220
All Other Revenue	549,633	127,833	421,800
Total	\$15,361,398	\$13,153,750	\$2,207,648

General Fund revenues in 2018 increased by 16.7% compared to revenues in fiscal year 2017. The most significant increase was in income tax revenue.

	2018 Expenditures	2017 Expenditures	Increase (Decrease)
Security of Persons and Property	\$6,698,718	\$6,615,485	\$83,233
Public Health and Welfare Services	11,888	9,025	2,863
Leisure Time Activities	232,254	218,620	13,634
Community Environment	144,507	151,630	(7,123)
Basic Utility Services	34,811	37,509	(2,698)
Transportation	1,149,005	1,234,163	(85,158)
General Government	4,536,470	4,727,937	(191,467)
Total	\$12,807,653	\$12,994,369	(\$186,716)

General Fund expenditures in 2018 decreased by 1.4% compared to the prior year. The net decrease in expenditures is primarily due to a decrease contractual services for general government from 2017 to 2018.

GENERAL FUND BUDGET INFORMATION

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2018, the City amended its General Fund budget several times, none significant.

For the General Fund, final budgeted revenue of \$12.7 million did not change from the original budget estimates of \$12.7 million. The General Fund had an adequate fund balance to cover expenditures.

CITY OF WICKLIFFE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the City had \$83,919,627 net of accumulated depreciation invested in land, improvements, infrastructure, buildings and machinery and equipment. Of this total, \$81,279,846 was related to governmental activities and \$2,639,781 to the business-type activities. The following table shows fiscal year 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Land	\$19,162,320	\$19,162,320	\$0
Buildings	11,771,675	11,771,675	0
Improvements Other Than Buildings	4,203,211	4,203,211	0
Machinery and Equipment	11,784,433	11,075,003	709,430
Infrastructure	79,159,549	79,159,495	54
Less: Accumulated Depreciation	(44,801,342)	(42,422,905)	(2,378,437)
Totals	\$81,279,846	\$82,948,799	(\$1,668,953)

	Business-Type Activities		Increase (Decrease)
	2018	2017	
Utility Structures in Service	\$11,570,120	\$11,570,120	\$0
Less: Accumulated Depreciation	(8,930,339)	(8,801,100)	(129,239)
Totals	\$2,639,781	\$2,769,020	(\$129,239)

The primary increase occurred in machinery and equipment. Additional information on the City's capital assets can be found in Note 9.

Debt

The City had \$1.0 million in general obligation bonds outstanding at December 31, 2018, \$165,000 due within one year. The following table summarizes the City's liabilities outstanding as of December 31, 2018 and 2017:

	2018	2017
Governmental Activities:		
General Obligation Bonds	\$1,040,000	\$1,195,000
OPWC Loans Payable	168,089	197,093
Compensated Absences	1,763,568	1,804,290
Net Pension Liability	15,223,694	16,891,855
Net OPEB Liability	13,343,698	11,100,581
Total Governmental Activities	\$31,539,049	\$31,188,819

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2018

Unaudited

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Wickliffe lies, is limited to ten mills. At December 31, 2018, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 13.

ECONOMIC FACTORS

At the conclusion of 2018, the City of Wickliffe still maintained a healthy unencumbered General Fund balance of \$3.9 million. However, moving forward, issues such as reductions in intergovernmental revenues and the future cost of health care are just two factors that will strongly influence the City's decision making process.

In an effort to maintain quality services city leaders are working together to identify new revenue sources and new ways to operate more efficiently. Seeking out grant funding for road improvements and capital equipment purchases has become a vital part of financing City operations. Sharing resources of both manpower and equipment with our neighboring communities also becomes more common as financial challenges increase. Moving into the future the City leaders will continue to scrutinize expenditures in an effort to identify additional cost containment measures that can be taken without jeopardizing the health and safety of the community.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-943-7117 or writing to City of Wickliffe Finance Department, 28730 Ridge Road, Wickliffe, Ohio 44092.

CITY OF WICKLIFFE, OHIO

Statement of Net Position December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 6,433,147	\$ 278,373	\$ 6,711,520
Cash and Cash Equivalents with Fiscal Agent	966	0	966
Receivables:			
Taxes	5,027,976	0	5,027,976
Accounts	48,350	824,735	873,085
Intergovernmental	940,289	0	940,289
Interest	8,570	0	8,570
Special Assessments	16,810	0	16,810
Inventory of Supplies at Cost	106,396	0	106,396
Prepaid Items	31,917	0	31,917
Capital Assets:			
Capital Assets Not Being Depreciated	19,162,320	0	19,162,320
Capital Assets Being Depreciated, Net	62,117,526	2,639,781	64,757,307
Total Assets	93,894,267	3,742,889	97,637,156
Deferred Outflows of Resources:			
Deferred Loss on Early Retirement of Debt	17,905	0	17,905
Pension	2,747,275	0	2,747,275
OPEB	1,573,801	0	1,573,801
Total Deferred Outflows of Resources	4,338,981	0	4,338,981
Liabilities:			
Accounts Payable	519,082	160,493	679,575
Accrued Wages and Benefits	254,282	1,617	255,899
Matured Bonds & Interest Payable	966	0	966
Accrued Interest Payable	2,071	0	2,071
Long-Term Liabilities:			
Due Within One Year	390,393	0	390,393
Net Pension Liability	15,223,694	0	15,223,694
Net OPEB Liability	13,343,698	0	13,343,698
Due in More Than One Year	2,581,264	0	2,581,264
Total Liabilities	32,315,450	162,110	32,477,560
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	2,645,614	0	2,645,614
Pension	1,757,780	0	1,757,780
OPEB	342,886	0	342,886
Total Deferred Inflows of Resources	4,746,280	0	4,746,280
Net Position:			
Net Investment in Capital Assets	80,071,757	2,639,781	82,711,538
Restricted For:			
Debt Service	106,765	0	106,765
Other Purposes	851,529	0	851,529
Unrestricted (Deficit)	(19,858,533)	940,998	(18,917,535)
Total Net Position	\$ 61,171,518	\$ 3,580,779	\$ 64,752,297

See accompanying notes to the basic financial statements

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CITY OF WICKLIFFE, OHIO

Statement of Activities
For the Year Ended December 31, 2018

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 8,682,576	\$ 470,366	\$ 176,420	\$ 0
Public Health and Welfare Services	73,060	4,955	86,733	0
Leisure Time Activities	984,030	315,324	127,720	0
Community Environment	146,273	355,493	0	0
Basic Utility Services	361,432	342,115	0	0
Transportation	3,392,455	0	677,447	28,076
General Government	5,250,195	523,129	0	0
Interest and Fiscal Charges	33,508	0	0	0
Total Governmental Activities	18,923,529	2,011,382	1,068,320	28,076
Business-Type Activities:				
Sewer	2,648,230	2,095,735	0	0
Total Business-Type Activities	2,648,230	2,095,735	0	0
Totals	\$ 21,571,759	\$ 4,107,117	\$ 1,068,320	\$ 28,076

General Revenues

Property Taxes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Position

Net Position Beginning of Year, as Restated

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (8,035,790)	\$ 0	\$ (8,035,790)
18,628	0	18,628
(540,986)	0	(540,986)
209,220	0	209,220
(19,317)	0	(19,317)
(2,686,932)	0	(2,686,932)
(4,727,066)	0	(4,727,066)
(33,508)	0	(33,508)
<u>(15,815,751)</u>	<u>0</u>	<u>(15,815,751)</u>
0	(552,495)	(552,495)
0	(552,495)	(552,495)
<u>(15,815,751)</u>	<u>(552,495)</u>	<u>(16,368,246)</u>
1,964,724	0	1,964,724
11,113,870	0	11,113,870
204,629	0	204,629
919,173	0	919,173
83,832	0	83,832
424,268	0	424,268
<u>14,710,496</u>	<u>0</u>	<u>14,710,496</u>
(1,105,255)	(552,495)	(1,657,750)
62,276,773	4,133,274	66,410,047
<u>\$ 61,171,518</u>	<u>\$ 3,580,779</u>	<u>\$ 64,752,297</u>

CITY OF WICKLIFFE, OHIO

Balance Sheet
Governmental Funds
December 31, 2018

	General	Safety Services	Debt Service
Assets:			
Cash and Cash Equivalents	\$ 4,195,321	\$ 0	\$ 90,234
Cash and Cash Equivalents with Fiscal Agent	0	0	966
Receivables:			
Taxes	3,466,601	769,711	156,814
Accounts	44,075	4,275	0
Intergovernmental	555,430	15,657	11,114
Interest	8,570	0	0
Special Assessments	0	0	0
Interfund Loans Receivables	70,000	0	0
Inventory of Supplies, at Cost	106,396	0	0
Prepaid Items	31,917	0	0
Total Assets	\$ 8,478,310	\$ 789,643	\$ 259,128
 Liabilities:			
Accounts Payable	149,165	162	0
Accrued Wages and Benefits Payable	247,878	0	0
Matured Bonds and Interest Payable	0	0	966
Interfund Loans Payable	0	0	0
Total Liabilities	397,043	162	966
 Deferred Inflows of Resources:			
Unavailable Amounts	439,694	15,657	18,602
Property Tax for Next Fiscal Year	1,119,942	769,711	149,326
Total Deferred Inflows of Resources	1,559,636	785,368	167,928
 Fund Balances:			
Nonspendable	138,313	0	0
Restricted	0	4,113	90,234
Committed	0	0	0
Assigned	159,723	0	0
Unassigned	6,223,595	0	0
Total Fund Balances	6,521,631	4,113	90,234
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 8,478,310	\$ 789,643	\$ 259,128

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,107,052	\$ 1,040,540	\$ 6,433,147
0	0	966
488,348	146,502	5,027,976
0	0	48,350
34,731	323,357	940,289
0	0	8,570
0	16,810	16,810
0	0	70,000
0	0	106,396
0	0	31,917
<u>\$ 1,630,131</u>	<u>\$ 1,527,209</u>	<u>\$ 12,684,421</u>
315,683	54,072	519,082
0	6,404	254,282
0	0	966
0	70,000	70,000
<u>315,683</u>	<u>130,476</u>	<u>844,330</u>
56,436	235,716	766,105
466,643	139,992	2,645,614
<u>523,079</u>	<u>375,708</u>	<u>3,411,719</u>
0	0	138,313
0	596,043	690,390
791,369	424,982	1,216,351
0	0	159,723
0	0	6,223,595
<u>791,369</u>	<u>1,021,025</u>	<u>8,428,372</u>
<u>\$ 1,630,131</u>	<u>\$ 1,527,209</u>	<u>\$ 12,684,421</u>

CITY OF WICKLIFFE, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2018***

Total Governmental Fund Balances \$ 8,428,372

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 81,279,846

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Property Taxes	87,794	
Special Assessments	16,810	
Intergovernmental	661,501	766,105

The net pension/OPEB liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - Pension	2,747,275	
Deferred Inflows - Pension	(1,757,780)	
Deferred Outflows - OPEB	1,573,801	
Deferred Inflows - OPEB	(342,886)	
Net Pension Liability	(15,223,694)	
Net OEPB Liability	(13,343,698)	(26,346,982)

Accrued interest on outstanding debt is not due and payable in
the current period and, therefore, is not reported in the funds:
it is reported when due. (2,071)

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds Payable	(1,040,000)	
Ohio Public Works Commission Loan Payable	(168,089)	
Deferred Loss on Debt Refunding	17,905	
Compensated Absences Payable	(1,763,568)	(2,953,752)

Net Position of Governmental Activities **\$ 61,171,518**

See accompanying notes to the basic financial statements

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CITY OF WICKLIFFE, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018**

	<u>General</u>	<u>Safety Services</u>	<u>Debt Service</u>
Revenues:			
Property Taxes	\$ 1,192,053	\$ 0	\$ 171,358
Municipal Income Tax	11,113,870	0	0
Other Local Taxes	204,629	0	0
State Levied Shared Taxes	980,724	0	0
Intergovernmental Revenues	384,130	0	24,474
Charges for Services	314,003	4,275	0
Licenses and Permits	389,999	0	0
Investment Earnings	83,832	0	0
Special Assessments	0	0	0
Fines and Forfeitures	148,525	0	0
All Other Revenue	549,633	0	0
Total Revenue	<u>15,361,398</u>	<u>4,275</u>	<u>195,832</u>
Expenditures:			
Current:			
Security of Persons and Property	6,698,718	162	0
Public Health and Welfare Services	11,888	0	0
Leisure Time Activities	232,254	0	0
Community Environment	144,507	0	0
Basic Utility Services	34,811	0	0
Transportation	1,149,005	0	0
General Government	4,536,470	0	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	155,000
Interest & Fiscal Charges	0	0	30,833
Total Expenditures	<u>12,807,653</u>	<u>162</u>	<u>185,833</u>
Excess (Deficiency) of Revenues Over Expenditures	2,553,745	4,113	9,999
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	0
OPWC Loans Issued	0	0	0
Transfers In	5,668	0	0
Transfers Out	(995,187)	0	0
Total Other Financing Sources (Uses)	<u>(989,519)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	1,564,226	4,113	9,999
Fund Balances at Beginning of Year	4,954,809	0	80,235
Increase in Inventory Reserve	2,596	0	0
Fund Balances End of Year	<u>\$ 6,521,631</u>	<u>\$ 4,113</u>	<u>\$ 90,234</u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 496,684	\$ 149,018	\$ 2,009,113
0	0	11,113,870
0	0	204,629
0	642,808	1,623,532
177,764	144,862	731,230
0	192,220	510,498
0	0	389,999
0	0	83,832
1,516	391,392	392,908
0	0	148,525
25,044	43,153	617,830
<u>701,008</u>	<u>1,563,453</u>	<u>17,825,966</u>
0	181,958	6,880,838
0	61,172	73,060
0	441,605	673,859
0	0	144,507
0	323,318	358,129
0	552,324	1,701,329
0	105,129	4,641,599
999,527	0	999,527
43,164	0	198,164
0	0	30,833
<u>1,042,691</u>	<u>1,665,506</u>	<u>15,701,845</u>
(341,683)	(102,053)	2,124,121
10,354	0	10,354
14,160	0	14,160
847,385	147,802	1,000,855
0	(5,668)	(1,000,855)
<u>871,899</u>	<u>142,134</u>	<u>24,514</u>
530,216	40,081	2,148,635
261,153	980,944	6,277,141
0	0	2,596
<u>\$ 791,369</u>	<u>\$ 1,021,025</u>	<u>\$ 8,428,372</u>

CITY OF WICKLIFFE, OHIO

**Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ 2,148,635

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	826,919	
Depreciation	<u>(2,491,310)</u>	(1,664,391)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (4,562)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(44,389)	
Special Assessments	136	
Intergovernmental	<u>26,207</u>	(18,046)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	1,279,955	
OPEB	<u>21,821</u>	1,301,776

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:

Pension	(2,008,859)	
OPEB	<u>(1,084,455)</u>	(3,093,314)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

OPWC Loan Principal	43,164	
OPWC Loan Issued	(14,160)	
General Obligation Bonds Principal	155,000	
Amortization of Deferred Loss on Debt Refunding	<u>(2,984)</u>	181,020

(Continued)

CITY OF WICKLIFFE, OHIO

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable	309
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Supplies Inventory	2,596	
Increase in Compensated Absences Payable	<u>40,722</u>	<u>43,318</u>

<i>Change in Net Position of Governmental Activities</i>		<u><u>\$ (1,105,255)</u></u>
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See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,165,000	\$ 1,165,000	\$ 1,192,053	\$ 27,053
Municipal Income Tax	8,750,500	8,750,500	9,432,574	682,074
Other Local Taxes	196,900	196,900	213,649	16,749
State Levied Shared Taxes	935,603	935,603	979,907	44,304
Intergovernmental Revenue	422,475	422,475	384,130	(38,345)
Charges for Services	320,000	320,000	303,057	(16,943)
Licenses and Permits	368,200	308,200	389,999	81,799
Investment Earnings	40,000	40,000	80,019	40,019
Fines and Forfeitures	147,750	147,750	147,857	107
All Other Revenues	363,300	423,300	549,763	126,463
Total Revenues	<u>12,709,728</u>	<u>12,709,728</u>	<u>13,673,008</u>	<u>963,280</u>
Expenditures:				
Current:				
Security of Persons and Property	6,897,242	6,910,577	6,708,450	202,127
Public Health and Welfare Services	15,000	15,000	13,138	1,862
Leisure Time Activities	249,719	256,519	240,394	16,125
Community Environment	198,087	198,087	146,711	51,376
Basic Utility Services	51,500	51,500	39,015	12,485
Transportation	1,110,023	1,138,023	1,239,724	(101,701)
General Government	4,627,563	4,767,563	4,656,979	110,584
Total Expenditures	<u>13,149,134</u>	<u>13,337,269</u>	<u>13,044,411</u>	<u>292,858</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(439,406)	(627,541)	628,597	1,256,138
Other Financing Sources (Uses):				
Transfers In	5,668	5,668	5,668	0
Transfers Out	(495,950)	(1,010,950)	(995,187)	15,763
Advances In	20,000	20,000	10,000	(10,000)
Total Other Financing Sources (Uses):	<u>(470,282)</u>	<u>(985,282)</u>	<u>(979,519)</u>	<u>5,763</u>
Net Change In Fund Balance	(909,688)	(1,612,823)	(350,922)	1,261,901
Fund Balance at Beginning of Year	4,146,697	4,146,697	4,146,697	0
Prior Year Encumbrances	121,027	121,027	121,027	0
Fund Balance at End of Year	<u>\$ 3,358,036</u>	<u>\$ 2,654,901</u>	<u>\$ 3,916,802</u>	<u>\$ 1,261,901</u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Business-Type Activities Enterprise Fund Sewer
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 278,373
Receivables:	
Accounts	824,735
<i>Total Current Assets</i>	<u>1,103,108</u>
<i>Non Current Assets:</i>	
Capital Assets, Net	<u>2,639,781</u>
Total Assets	<u><u>3,742,889</u></u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	160,493
Accrued Wages and Benefits	<u>1,617</u>
Total Liabilities	<u>162,110</u>
Net Position:	
Net Investment in Capital Assets	2,639,781
Unrestricted	<u>940,998</u>
Total Net Position	<u><u>\$ 3,580,779</u></u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities Enterprise Fund <u>Sewer</u>
Operating Revenues:	
Charges for Services	\$ 2,095,735
Total Operating Revenues	<u>2,095,735</u>
Operating Expenses:	
Personal Services	1,617
Contractual Services	2,517,374
Depreciation	129,239
Total Operating Expenses	<u>2,648,230</u>
Operating Loss	(552,495)
Net Position Beginning of Year	<u>4,133,274</u>
Net Position End of Year	<u>\$ 3,580,779</u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-Type Activities Enterprise Funds <u>Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$2,030,039
Cash Payments for Goods and Services	(2,486,278)
Net Cash Used for Operating Activities	<u>(456,239)</u>
Net Increase in Cash and Cash Equivalents	(456,239)
Cash and Cash Equivalents at Beginning of Year	734,612
Cash and Cash Equivalents at End of Year	<u><u>\$278,373</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Loss	(\$552,495)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	129,239
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(65,696)
Increase in Accounts Payable	31,096
Increase in Accrued Wages and Benefits	1,617
Total Adjustments	<u>96,256</u>
Net Cash Used for Operating Activities	<u><u>(\$456,239)</u></u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wickliffe, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The current Charter, which provides for a Council-Mayor form of government was adopted on July 17, 1951, and has subsequently been amended.

The accompanying basic financial statements of the City are presented as of December 31, 2018 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and maintains the wastewater collection system which is reported as an enterprise fund. Wastewater treatment services are provided to the City of Wickliffe by the City of Euclid, Ohio, which owns and operates the wastewater treatment facilities.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Wickliffe did not contribute to NOPEC during 2018. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures (expenses). The following fund types are used by the City:

Governmental Funds

The governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities and deferred inflows of resources are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Safety Services Fund - This fund is used to account for financial resources to be used for safety services within the City.

Debt Service Fund - This fund is used to account for financial resources to be used for the principal and interest payments on the City's debt.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is:

Sewer Fund - This fund is used to account for the operation of the City's sanitary sewer service.

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which the City considers to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2018, but which are not intended to finance 2018 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Inflows/Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For the City, deferred outflows related to pension/OPEB are explained in notes 10 and 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, charges for services, interest and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide statement of net position. (See Note 10 and 11)

F. Budgetary Process

The annual budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only certain major governmental funds are required to be reported. The primary level of budgetary control for all funds involving operations is at the object level within each department. Certain funds are appropriated at the minimum level of budgetary control (personal services) as required by Ohio Revised Code section 5705.38 (c) due to the restricted nature of the use of these funds. Budgetary modifications may only be made by ordinance of the City Council.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2018.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the object level within each department for all funds involving operations. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among funds at the object level within each department may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual (Non-GAAP Budgetary Basis —General Fund" is provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues are recorded when received in cash and expenditures are recorded when paid or encumbered. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

	Net Change In Fund Balance
	General Fund
GAAP Basis (as reported)	\$1,564,226
Increase (Decrease):	
Accrued Revenues at December 31, 2018 received during 2019	(2,585,040)
Accrued Revenues at December 31, 2017 received during 2018	906,650
Accrued Expenditures at December 31, 2018 paid during 2019	397,043
Accrued Expenditures at December 31, 2017 paid during 2018	(378,851)
2017 Prepays for 2018	55,485
2018 Prepays for 2019	(31,917)
Encumbrances Outstanding	(278,518)
Budget Basis	(\$350,922)

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, The State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit with an original maturity of three months or less. Certificates of deposit meeting the previously noted maturity limit and STAR Ohio are considered cash equivalents because they are highly liquid investments.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled certificates of deposit with original maturities of three months or less and STAR Ohio to be cash equivalents. See Note 4, "Pooled Cash, Cash Equivalents and Investments."

H. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. Certificates of deposit with original maturities of more than three months are reported as investments in the basic financial statements. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 4 "Pooled Cash, Cash Equivalents and Investments." The City allocates all interest on pooled investments to the General Fund.

During 2018, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

During the year, the City invested in repurchase agreements, but at year end the City was not invested in any repurchase agreements.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and expenses in the proprietary fund when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000. The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, has been reported.

2. Property, Plant and Equipment – Business Type Activities

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation (Continued)

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	15 - 40
Improvements other than Buildings	65
Infrastructure	10 - 50
Machinery, Equipment, Furniture and Fixtures	5 - 10

L. Long-Term Obligations

Long-Term obligations are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund
Pension/OPEB Liabilities	General Fund
General Obligation Bonds	Debt Service Fund

M. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation, sick time and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City has no formal policy authorizing a body or official to assign amounts for specific purposes.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances (Continued)

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

P. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

U. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” Statement No. 85, “Omnibus 2017,” and Statement No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

The implementation of GASB 75 had the following effect on net position as reported December 31, 2017:

	Governmental
	<u>Activities</u>
Net Position December 31, 2017	\$73,326,922
Adjustments:	
Net OPEB Liability	(11,100,581)
Deferred Outflow - Payments Subsequent to the Measurement Date	<u>50,432</u>
Restated Net Position December 31, 2017	<u><u>\$62,276,773</u></u>

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Safety Services Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:						
Supplies Inventory	\$106,396	\$0	\$0	\$0	\$0	\$106,396
Prepaid Items	31,917	0	0	0	0	31,917
Total Nonspendable	138,313	0	0	0	0	138,313
Restricted:						
Debt Service Payments	0	0	90,234	0	0	90,234
State Highway Improvements	0	0	0	0	21,796	21,796
City Highway Improvements	0	0	0	0	366,755	366,755
Weed Control	0	0	0	0	155,077	155,077
Street Lighting	0	0	0	0	9,090	9,090
Police Pension	0	0	0	0	13,000	13,000
Fire Pension	0	0	0	0	13,000	13,000
Law Enforcement Trust	0	0	0	0	17,325	17,325
Safety Services	0	4,113	0	0	0	4,113
Total Restricted	0	4,113	90,234	0	596,043	690,390
Committed:						
Laketran	0	0	0	0	4,710	4,710
Senior Center	0	0	0	0	122,629	122,629
Insurance	0	0	0	0	369	369
Swimming Pool	0	0	0	0	8,634	8,634
Golf Course	0	0	0	0	214,469	214,469
Capital Projects	0	0	0	791,369	0	791,369
Police, Fire and Disaster	0	0	0	0	5,091	5,091
Deposits	0	0	0	0	69,080	69,080
Total Committed	0	0	0	791,369	424,982	1,216,351
Assigned	159,723	0	0	0	0	159,723
Unassigned	6,223,595	0	0	0	0	6,223,595
Total Fund Balances	\$6,521,631	\$4,113	\$90,234	\$791,369	\$1,021,025	\$8,428,372

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and cash equivalents. Each fund's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents."

Ohio law requires the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment earnings of \$31,429 earned by other funds were credited to the General Fund as required by state statute.

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City's deposits was \$2,468,794 and the bank balance was \$2,097,728. Federal depository insurance covered \$250,000 of the bank balance and \$1,847,728 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name and securities held in the Ohio Pooled Collateral System.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 4 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2018 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)	
				less than 1	1-3
STAR Ohio	\$4,243,692	AAAm ¹	N/A	\$4,243,692	0

¹ Standard & Poor's

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The City's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer.

C. Reconciliation of Cash, Cash Equivalents and Investments

A reconciliation between classifications of cash and investments on the combined financial statements is as follows:

	Cash and Cash Equivalents *	Investments
Per Financial Statements	\$6,712,486	\$0
Investments:		
STAR Ohio	(4,243,692)	4,243,692
Per Footnote	\$2,468,794	\$4,243,692

* Includes Cash with Fiscal Agent.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2018 were levied after October 1, 2017 on assessed values as of January 1, 2017, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2012. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 25 percent of its true value and public utility real property is assessed at 35 percent of appraised market value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wickliffe. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2018, was \$8.11 per \$1,000 of assessed value. The assessed value upon which the 2018 property tax receipts were based was \$278,432,960. This amount constitutes \$266,144,030 in real property assessed value and \$12,288,930 in public utility assessed value.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 5 – TAXES (Continued)

A. Property Taxes (Continued)

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .811% (8.11 mills) of assessed value.

B. Income Tax

The City levies a tax of 2% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 6 – TAX ABATEMENT DISCLOSURE

Income Tax Abatement

As of December 31, 2018, the City provides income tax incentives under an income tax incentive grant with Parker Hannifin Corporation.

The purpose of the grant is to maintain Wickliffe’s competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to Parker Hannifin Corporation the company based upon the company’s gross annual payroll, the amount of income tax generated annually by the business. The abatement is administered by the City paying Parker Hannifin, through non-tax revenues, a sum equal to 40% of the City payroll withholding taxes in excess of the base withholding. This amount will be paid on an annual basis on or before June 30 of the succeeding year for the preceding calendar year in which payroll withholding taxes were paid and received.

Below is the information relevant to the disclosure of this program for the year ended December 31, 2018.

Tax Abatement	Total Amount of Taxes Abated (Incentives Abated For the Year 2018 In Actual Dollars)
<i>Parker Hannifin Corporation (2013 - 2021)</i> - Gross Dollar amount of taxes abated during 2018	\$46,177

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018, consisted of taxes, interest, accounts receivable, interfund and intergovernmental receivables arising from shared revenues.

NOTE 8 - TRANSFERS

The following is a summary of transfers for all funds for 2018:

<u>Transfers In:</u>	<u>Transfers Out:</u>		
	<u>General Fund</u>	<u>Other</u>	<u>Total</u>
<u>Governmental</u>		<u>Funds</u>	
General Fund	\$0	\$5,668	\$5,668
Capital Projects Fund	847,385	0	847,385
Other Governmental Funds	147,802	0	147,802
	<u>\$995,187</u>	<u>\$5,668</u>	<u>\$1,000,855</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
<i>Capital assets not being depreciated:</i>				
Land	\$19,162,320	\$0	\$0	\$19,162,320
<i>Capital assets being depreciated:</i>				
Buildings	11,771,675	0	0	11,771,675
Improvements Other Than Buildings	4,203,211	0	0	4,203,211
Machinery and Equipment	11,075,003	826,865	(117,435)	11,784,433
Infrastructure	79,159,495	54	0	79,159,549
Total Cost	<u>\$125,371,704</u>	<u>\$826,919</u>	<u>(\$117,435)</u>	<u>\$126,081,188</u>

Accumulated Depreciation:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Buildings	(\$4,210,636)	(\$263,762)	\$0	(\$4,474,398)
Improvements Other Than Buildings	(2,232,428)	(209,081)	0	(2,441,509)
Machinery and Equipment	(8,873,388)	(516,364)	112,873	(9,276,879)
Infrastructure	(27,106,453)	(1,502,103)	0	(28,608,556)
Total Depreciation	<u>(\$42,422,905)</u>	<u>(\$2,491,310)</u>	<u>\$112,873</u>	<u>(\$44,801,342)</u>
<i>Net Value:</i>	<u>\$82,948,799</u>			<u>\$81,279,846</u>

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CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - CAPITAL ASSETS (continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$366,630
Leisure Time Activities	298,491
Transportation	1,713,250
General Government	112,939
Total Depreciation Expense	\$2,491,310

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2018:

Historical Cost:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
<i>Capital assets being depreciated:</i>				
Utility Structures in Service	\$11,570,120	\$0	\$0	\$11,570,120
Total Cost	\$11,570,120	\$0	\$0	\$11,570,120

Accumulated Depreciation:

Class	December 31, 2017	Additions	Deletions	December 31, 2018
Utility Structures in Service	(\$8,801,100)	(\$129,239)	\$0	(\$8,930,339)
Total Depreciation	(\$8,801,100)	(\$129,239)	\$0	(\$8,930,339)

<i>Net Value:</i>	\$2,769,020		\$2,639,781
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CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$367,237 for 2018.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$912,718 for 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,454,412	\$11,769,282	\$15,223,694
Proportion of the Net Pension Liability-2018	0.022019%	0.191762%	
Proportion of the Net Pension Liability-2017	<u>0.022983%</u>	<u>0.184291%</u>	
Percentage Change	<u>(0.000964%)</u>	<u>0.007471%</u>	
Pension Expense	\$621,063	\$1,387,796	\$2,008,859

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$412,825	\$512,849	\$925,674
Differences between expected and actual experience	3,528	178,606	182,134
Change in proportionate share	0	359,512	359,512
City contributions subsequent to the measurement date	<u>367,237</u>	<u>912,718</u>	<u>1,279,955</u>
Total Deferred Outflows of Resources	<u><u>\$783,590</u></u>	<u><u>\$1,963,685</u></u>	<u><u>\$2,747,275</u></u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$741,615	\$407,124	\$1,148,739
Differences between expected and actual experience	68,076	21,293	89,369
Change in proportionate share	<u>175,457</u>	<u>344,215</u>	<u>519,672</u>
Total Deferred Inflows of Resources	<u><u>\$985,148</u></u>	<u><u>\$772,632</u></u>	<u><u>\$1,757,780</u></u>

\$1,279,955 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$189,123	\$280,799	\$469,922
2020	(126,611)	173,766	47,155
2021	(326,567)	(247,923)	(574,490)
2022	(304,740)	(168,023)	(472,763)
2023	0	191,713	191,713
2024	0	48,003	48,003
Total	<u><u>(\$568,795)</u></u>	<u><u>\$278,335</u></u>	<u><u>(\$290,460)</u></u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$6,134,152	\$3,454,412	\$1,220,313

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent for increases based on the lesser of the increase in CPI and 3%.

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

	Age	Police	Fire
Healthy Mortality			
	67 or less	77%	68%
	68-77	105%	87%
	78 and up	115%	120%
Disabled Mortality			
	59 or less	35%	35%
	60-69	60%	45%
	70-79	75%	70%
	80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

* levered 2x

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$16,315,310	\$11,769,282	\$8,061,579

NOTE 11 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2018.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$21,821 for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,478,748	\$10,864,950	\$13,343,698
Proportion of the Net OPEB Liability-2018	0.022826%	0.191762%	
Proportion of the Net OPEB Liability-2017	<u>0.023293%</u>	<u>0.184291%</u>	
Percentage Change	<u>(0.000467%)</u>	<u>0.007471%</u>	
OPEB Expense	\$189,370	\$895,085	\$1,084,455

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$180,479	\$1,060,188	\$1,240,667
Differences between expected and actual experience	1,931	0	1,931
Change in proportionate share	0	309,382	309,382
City contributions subsequent to the measurement date	0	21,821	21,821
Total Deferred Outflows of Resources	<u>\$182,410</u>	<u>\$1,391,391</u>	<u>\$1,573,801</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$184,650	\$71,517	\$256,167
Differences between expected and actual experience	0	54,799	54,799
Change in proportionate share	31,920	0	31,920
Total Deferred Inflows of Resources	<u>\$216,570</u>	<u>\$126,316</u>	<u>\$342,886</u>

\$21,821 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$25,787	\$174,339	\$200,126
2020	25,787	174,339	200,126
2021	(39,573)	174,339	134,766
2022	(46,161)	174,342	128,181
2023	0	192,219	192,219
2024	0	192,219	192,219
2025	0	161,457	161,457
Total	<u>(\$34,160)</u>	<u>\$1,243,254</u>	<u>\$1,209,094</u>

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$3,293,124	\$2,478,748	\$1,819,926

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,371,634	\$2,478,748	\$2,589,395

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
 Total	 <u>120.00 %</u>	

Note: Assumptions are geometric.

* levered 2x

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$13,581,318	\$10,864,950	\$8,774,823

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$8,440,088	\$10,864,950	\$14,132,842

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City’s NOL is not known.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 12 – COMPENSATED ABSENCES

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation and compensatory time are accrued as liabilities when an employee’s right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2018, the City's accumulated, unpaid compensated absences amounted to \$1,763,568, which is recorded as a liability of the Governmental Activities.

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CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 13 - LONG-TERM DEBT

Long-Term debt of the City at December 31, 2018 was as follows:

Year Issued	Final Maturity	Balance December 31,			Balance December 31, 2018	Amounts Due Within One Year
		2017	Additions	(Reductions)		
Governmental Activities:						
General Obligation Bonds:						
2017 Parks and Recreational Bond Refunding	2024	\$1,195,000	\$0	(\$155,000)	\$1,040,000	\$165,000
OPWC Loan:						
2013 Worden Road Waterline	2019	\$21,088	\$0	(\$14,059)	\$7,029	\$7,029
2015 Grand Boulevard Improvement	2020	101,870	0	(29,105)	72,765	29,105
2017 Grand Boulevard Improvement	2022	74,135	14,160	0	88,295	8,830
Total OPWC Loans		197,093	14,160	(43,164)	168,089	44,964
Compensated Absences		1,804,290	1,763,568	(1,804,290)	1,763,568	180,429
Net Pension Liability		16,891,855	0	(1,668,161)	15,223,694	0
Net OPEB Liability		11,100,581	2,243,117	0	13,343,698	0
Total Governmental Long-Term Debt		\$31,188,819	\$4,020,845	(\$3,670,615)	\$31,539,049	\$390,393

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2018, follows:

Years	General Obligation Bond Payable		OPWC Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$165,000	\$24,856	\$44,964	\$0	\$209,964	\$24,856
2020	170,000	20,912	46,765	0	216,765	20,912
2021	170,000	16,850	32,212	0	202,212	16,850
2022	175,000	12,786	17,659	0	192,659	12,786
2023	180,000	8,604	17,659	0	197,659	8,604
2024	180,000	4,302	8,830	0	188,830	4,302
Totals	\$1,040,000	\$88,310	\$168,089	\$0	\$1,208,089	\$88,310

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2018

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Ohio Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

The following is a summary of insurance coverages at year end:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Comprehensive General Liability	\$6,000,000	\$0
Law Enforcement Professional Liability	6,000,000	10,000
Public Officials Errors and Omissions	6,000,000	10,000
Property	38,157,445	1,000
Bond/Crime	50,000	0
Boiler and Machinery	38,157,445	1,000
Automobile Liability	6,000,000	1,000

The City provides major medical health insurance coverage for its employees through United Health Care.

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years. Coverage has not been materially decreased during the year.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. Unemployment claims are paid to the Ohio Department of Job and Family Services as incurred.

NOTE 15 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WICKLIFFE, OHIO

Schedule of City's Proportionate Share of the Net Pension Liability Last Five Years

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017	2018
City's proportion of the net pension liability (asset)	0.026830%	0.026830%	0.024669%	0.022983%	0.022019%
City's proportionate share of the net pension liability (asset)	\$3,162,907	\$3,235,998	\$4,273,057	\$5,219,041	\$3,454,412
City's covered payroll	\$3,733,523	\$3,327,592	\$3,418,692	\$2,971,017	\$2,915,915
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	84.72%	97.25%	124.99%	175.67%	118.47%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%	84.66%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017	2018
City's proportion of the net pension liability (asset)	0.2054653%	0.2054653%	0.193768%	0.184291%	0.191762%
City's proportionate share of the net pension liability (asset)	\$10,006,805	\$10,643,959	\$12,465,212	\$11,672,814	\$11,769,282
City's covered payroll	\$5,110,966	\$4,223,492	\$4,222,409	\$4,166,740	\$4,411,518
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	195.79%	252.02%	295.22%	280.14%	266.79%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%	70.91%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

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CITY OF WICKLIFFE, OHIO

***Schedule of City Pension Contributions
Last Six Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$485,358	\$399,311	\$410,243
Contributions in relation to the contractually required contribution	<u>485,358</u>	<u>399,311</u>	<u>410,243</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$3,733,523	\$3,327,592	\$3,418,692
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$872,953	\$859,903	\$848,282
Contributions in relation to the contractually required contribution	<u>872,953</u>	<u>859,903</u>	<u>848,282</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$5,110,966	\$4,223,492	\$4,222,409
Contributions as a percentage of covered payroll	17.08%	20.36%	20.09%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

CITY OF WICKLIFFE, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$356,522	\$379,069	\$367,237
<u>356,522</u>	<u>379,069</u>	<u>367,237</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,971,017	\$2,915,915	\$2,623,121
12.00%	13.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$837,098	\$886,274	\$912,718
<u>837,098</u>	<u>886,274</u>	<u>912,718</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,166,740	\$4,411,518	\$4,543,146
20.09%	20.09%	20.09%

CITY OF WICKLIFFE, OHIO

Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability Last Two Years

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.023293%	0.022826%
City's proportionate share of the net OPEB liability (asset)	\$2,352,697	\$2,478,748
City's covered payroll	\$2,971,017	\$2,915,915
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	79.19%	85.01%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2017</u>	<u>2018</u>
City's proportion of the net OPEB liability (asset)	0.184291%	0.191762%
City's proportionate share of the net OPEB liability (asset)	\$8,747,884	\$10,864,950
City's covered payroll	\$4,166,740	\$4,411,518
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	209.95%	246.29%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2016 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability.

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CITY OF WICKLIFFE, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Six Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$37,335	\$66,552	\$68,374
Contributions in relation to the contractually required contribution	<u>37,335</u>	<u>66,552</u>	<u>68,374</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$3,733,523	\$3,327,592	\$3,418,692
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$25,555	\$21,117	\$21,112
Contributions in relation to the contractually required contribution	<u>25,555</u>	<u>21,117</u>	<u>21,112</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$5,110,966	\$4,223,492	\$4,222,409
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

CITY OF WICKLIFFE, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$59,420	\$29,159	\$0
<u>59,420</u>	<u>29,159</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,971,017	\$2,915,915	\$2,623,121
2.00%	1.00%	0.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$20,834	\$21,273	\$21,821
<u>20,834</u>	<u>21,273</u>	<u>21,821</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$4,166,740	\$4,411,518	\$4,543,146
0.50%	0.50%	0.50%

CITY OF WICKLIFFE, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2018

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

CITY OF WICKLIFFE, OHIO

***Notes to the Required Supplemental Information
For the Year Ended December 31, 2018***

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

OHIO POLICE AND FIRE (OP&F)

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 3.79% to 3.24%.

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

The discussion and analysis of the City of Wickliffe's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- ❑ In total, net position decreased \$3,674,502. Net position of governmental activities decreased \$3,421,136 from 2016. Net position of business-type activities decreased \$253,366 from 2016.
- ❑ General revenues accounted for \$12.5 million in revenue or 70% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 30% of total revenues of \$17.9 million.
- ❑ The City had \$19.3 million in expenses related to governmental activities; only about \$3.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12.5 million were not adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$13.2 million in revenues and \$12.9 million in expenditures. The general fund's fund balance increased \$53,417 to \$4,954,809.
- ❑ Net position for enterprise funds increased by \$133,737.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

CITY OF WICKLIFFE, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net-position (the difference between the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources) are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's program's and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's sewer services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF WICKLIFFE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	Restated 2017	2016	2017	2016	Restated 2017	2016
	Current and other assets	\$9,576,916	\$9,834,902	\$1,493,651	\$1,488,381	\$11,070,567
Capital assets, Net	82,948,749	84,789,815	2,769,020	2,898,259	85,717,769	87,688,074
Total assets	<u>92,525,665</u>	<u>94,624,717</u>	<u>4,262,671</u>	<u>4,386,640</u>	<u>96,788,336</u>	<u>99,011,357</u>
Deferred outflows of resources	4,036,777	4,478,491	0	0	4,036,777	4,478,491
Net pension liability	16,891,855	16,738,269	0	0	16,891,855	16,738,269
Other long-term liabilities	3,196,383	3,251,736	0	0	3,196,383	3,251,736
Other liabilities	641,801	376,160	129,397	0	771,198	376,160
Total liabilities	<u>20,730,039</u>	<u>20,366,165</u>	<u>129,397</u>	<u>0</u>	<u>20,859,436</u>	<u>20,366,165</u>
Deferred inflows of resources	2,505,481	1,988,985	0	0	2,505,481	1,988,985
Net position (deficit):						
Net investment in capital assets	81,556,706	83,255,275	2,769,020	2,898,259	84,325,726	86,153,534
Restricted	817,876	1,227,627	0	0	817,876	1,227,627
Unrestricted	(9,047,660)	(7,734,844)	1,364,254	1,488,381	(7,683,406)	(6,246,463)
Total net deficit	<u>\$73,326,922</u>	<u>\$76,748,058</u>	<u>\$4,133,274</u>	<u>\$4,386,640</u>	<u>\$77,460,196</u>	<u>\$81,134,698</u>

During 2015, the City adopted GASB Statement 68, “Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27,” which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City’s actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

A portion of the City's net position, \$817,876, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the City has approximately \$22.5 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

At fiscal year-end for governmental activities, capital assets represented 89% of total assets. Capital assets include land, land improvements, infrastructure, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at December 31, 2017 was \$81,556,706 for governmental activities. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

Changes in Net position – The following table shows the changes in net position for the fiscal year 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for Services and Sales	\$2,042,001	\$1,835,568	\$2,024,082	\$2,086,371	\$4,066,083	\$3,921,939
Operating Grants and Contributions	867,132	958,144	0	0	867,132	958,144
Capital Grants and Contributions	449,425	764,533	0	0	449,425	764,533
General revenues:						
Property Taxes	2,015,866	2,115,505	0	0	2,015,866	2,115,505
Municipal Income Taxes	9,192,265	9,345,612	0	0	9,192,265	9,345,612
Other Local Taxes	200,292	217,911	0	0	200,292	217,911
Grants and Entitlements	693,650	1,123,320	0	0	693,650	1,123,320
Investment Earnings	48,612	18,718	0	0	48,612	18,718
Miscellaneous	347,580	316,295	0	0	347,580	316,295
Total revenues	<u>15,856,823</u>	<u>16,695,606</u>	<u>2,024,082</u>	<u>2,086,371</u>	<u>17,880,905</u>	<u>18,781,977</u>
Program Expenses:						
Security of Persons and Property	7,866,945	7,340,822	0	0	7,866,945	7,340,822
Public Health and Welfare Services	103,204	49,579	0	0	103,204	49,579
Leisure Time Activities	1,005,595	1,036,970	0	0	1,005,595	1,036,970
Community Environment	158,599	180,770	0	0	158,599	180,770
Basic Utility Services	383,480	398,175	0	0	383,480	398,175
Transportation	4,047,529	3,793,054	0	0	4,047,529	3,793,054
General Government	5,655,384	4,991,456	0	0	5,655,384	4,991,456
Interest and Fiscal Charges	57,223	70,878	0	0	57,223	70,878
Sewer	0	0	2,277,448	1,952,634	2,277,448	1,952,634
Total expenses	<u>19,277,959</u>	<u>17,861,704</u>	<u>2,277,448</u>	<u>1,952,634</u>	<u>21,555,407</u>	<u>19,814,338</u>
Total Change in Net Position	(3,421,136)	(1,166,098)	(253,366)	133,737	(3,674,502)	(1,032,361)
Beginning Net Position, Restated	<u>76,748,058</u>	<u>76,053,029</u>	<u>4,386,640</u>	<u>4,252,903</u>	<u>81,134,698</u>	<u>80,305,932</u>
Ending Net Position	<u>\$73,326,922</u>	<u>\$74,886,931</u>	<u>\$4,133,274</u>	<u>\$4,386,640</u>	<u>\$77,460,196</u>	<u>\$79,273,571</u>

CITY OF WICKLIFFE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

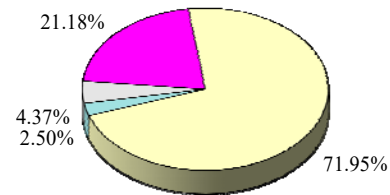
Governmental Activities

Net position of the City's governmental activities decreased by \$3,421,136. Much of this decrease can be attributed to the fact that depreciation on capital assets as \$1.4 million greater than the capital asset additions for the year. The City's revenues also decreased from 2016 to 2017, mostly in intergovernmental revenues in the form of grants.

The City also receives an income tax, which is based on 2% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 13% and 58% respectively of revenues for governmental activities for the City in fiscal year 2017. The City's reliance upon tax revenues is demonstrated by the following graph indicating 71.95% of total revenues from general tax revenues:

Revenue Sources	2017	Percent of Total
General Shared Revenues	\$693,650	4.37%
Program Revenues	3,358,558	21.18%
General Tax Revenues	11,408,423	71.95%
General Other	396,192	2.50%
Total Revenue	<u>\$15,856,823</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities decreased by \$253,366. The only business-type activity the City operates is the Sewer Fund. Once again, most of this decrease can be attributed to the depreciation on capital assets for the year. Expenses related to running the Euclid Sewer plant increased slightly while revenues remained relatively stable from 2016 to 2017.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$6,277,141, which is a decrease from last year's balance of \$6,800,170. The schedule below indicates the fund balance and the total change in fund balance by major fund and other governmental funds as of December 31, 2017 and 2016:

	Fund Balance December 31, 2017	Fund Balance December 31, 2016	Increase (Decrease)
General	\$4,954,809	\$4,901,392	\$53,417
Debt Service	80,235	130,534	(50,299)
Capital Projects	261,153	827,705	(566,552)
Other Governmental	980,944	940,539	40,405
Total	<u>\$6,277,141</u>	<u>\$6,800,170</u>	<u>(\$523,029)</u>

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

General Fund – The City's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	<u>2017</u> <u>Revenues</u>	<u>2016</u> <u>Revenues</u>	<u>Increase</u> <u>(Decrease)</u>
Taxes	\$10,602,763	\$10,784,162	(\$181,399)
Intergovernmental Revenue	1,163,145	1,314,903	(151,758)
Charges for Services	347,841	325,259	22,582
Licenses and Permits	726,961	540,054	186,907
Fines and Forfeitures	136,595	139,250	(2,655)
Investment Earnings	48,612	18,718	29,894
All Other Revenue	127,833	97,991	29,842
Total	<u>\$13,153,750</u>	<u>\$13,220,337</u>	<u>(\$66,587)</u>

General Fund revenues in 2017 decreased by less than 1% compared to revenues in fiscal year 2016. The most significant decrease was in tax revenue.

	<u>2017</u> <u>Expenditures</u>	<u>2016</u> <u>Expenditures</u>	<u>Increase</u> <u>(Decrease)</u>
Security of Persons and Property	\$6,615,485	\$6,344,070	\$271,415
Public Health and Welfare Services	9,025	10,724	(1,699)
Leisure Time Activities	218,620	241,203	(22,583)
Community Environment	151,630	175,286	(23,656)
Basic Utility Services	37,509	41,930	(4,421)
Transportation	1,234,163	1,156,662	77,501
General Government	4,727,937	4,630,047	97,890
Total	<u>\$12,994,369</u>	<u>\$12,599,922</u>	<u>\$394,447</u>

General Fund expenditures in 2017 increased by 3.1% compared to the prior year. The net increase in expenditures is primarily due to an increase in wages for both fire fighters and police officers from 2016 to 2017.

GENERAL FUND BUDGET INFORMATION

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2017, the City amended its General Fund budget several times, none significant.

For the General Fund, final budgeted revenue of \$13.1 million changed slightly over the original budget estimates of \$13 million. The General Fund had an adequate fund balance to cover expenditures.

CITY OF WICKLIFFE, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2017, the City had \$85,717,819 net of accumulated depreciation invested in land, improvements, infrastructure, buildings and machinery and equipment. Of this total, \$82,948,799 was related to governmental activities and \$2,769,020 to the business-type activities. The following table shows fiscal year 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	Restated 2016	
Land	\$19,162,320	\$19,162,320	\$0
Buildings	11,771,675	11,768,022	3,653
Improvements Other Than Buildings	4,203,211	4,203,211	0
Machinery and Equipment	11,075,003	10,819,383	255,620
Infrastructure	79,159,495	79,120,111	39,384
Less: Accumulated Depreciation	(42,422,905)	(40,298,232)	(2,124,673)
Totals	\$82,948,799	\$84,774,815	(\$1,826,016)

	Business-Type Activities		Increase (Decrease)
	2017	2016	
Utility Structures in Service	\$11,570,120	\$11,570,120	\$0
Less: Accumulated Depreciation	(8,801,100)	(8,671,861)	(129,239)
Totals	\$2,769,020	\$2,898,259	(\$129,239)

The primary increase occurred in infrastructure. Additional information on the City's capital assets can be found in Note 10.

Debt

The City had \$1.2 million in general obligation bonds outstanding at December 31, 2017, \$155,000 due within one year. The following table summarizes the City's liabilities outstanding as of December 31, 2017 and 2016:

	2017	2016
Governmental Activities:		
General Obligation Bonds	\$1,195,000	\$1,360,000
OPWC Loans Payable	197,093	159,540
Compensated Absences	1,804,290	1,732,196
Net Pension Liability	16,891,855	16,738,269
Total Governmental Activities	\$20,088,238	\$19,990,005

CITY OF WICKLIFFE, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Wickliffe lies, is limited to ten mills. At December 31, 2017, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

ECONOMIC FACTORS

At the conclusion of 2017, the City of Wickliffe still maintained a healthy unencumbered General Fund balance of \$4.1 million. However, moving forward, issues such as reductions in intergovernmental revenues and the future cost of health care are just two factors that will strongly influence the City's decision making process.

In an effort to maintain quality services city leaders are working together to identify new revenue sources and new ways to operate more efficiently. Seeking out grant funding for road improvements and capital equipment purchases has become a vital part of financing City operations. Sharing resources of both manpower and equipment with our neighboring communities also becomes more common as financial challenges increase. Moving into the future the City leaders will continue to scrutinize expenditures in an effort to identify additional cost containment measures that can be taken without jeopardizing the health and safety of the community.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 440-943-7117 or writing to City of Wickliffe Finance Department, 28730 Ridge Road, Wickliffe, Ohio 44092.

CITY OF WICKLIFFE, OHIO

Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,779,694	\$ 734,612	\$ 6,514,306
Cash and Cash Equivalents with Fiscal Agent	966	0	966
Receivables:			
Taxes	2,630,628	0	2,630,628
Accounts	32,816	759,039	791,855
Intergovernmental	952,046	0	952,046
Interest	4,757	0	4,757
Special Assessments	16,674	0	16,674
Inventory of Supplies at Cost	103,800	0	103,800
Prepaid Items	55,485	0	55,485
Capital Assets:			
Capital Assets Not Being Depreciated	19,162,320	0	19,162,320
Capital Assets Being Depreciated, Net	63,786,479	2,769,020	66,555,499
Total Assets	92,525,665	4,262,671	96,788,336
Deferred Outflows of Resources:			
Pension	4,015,888	0	4,015,888
Deferred Loss on Early Retirement of Debt	20,889	0	20,889
Total Deferred Outflows of Resources	4,036,777	0	4,036,777
Liabilities:			
Accounts Payable	391,045	129,397	520,442
Accrued Wages and Benefits	247,410	0	247,410
Matured Bonds & Interest Payable	966	0	966
Accrued Interest Payable	2,380	0	2,380
Long-Term Liabilities:			
Due Within One Year	398,423	0	398,423
Net Pension Liability	16,891,855	0	16,891,855
Due in More Than One Year	2,797,960	0	2,797,960
Total Liabilities	20,730,039	129,397	20,859,436
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	1,876,153	0	1,876,153
Pension	629,328	0	629,328
Total Deferred Inflows of Resources	2,505,481	0	2,505,481
Net Position:			
Net Investment in Capital Assets	81,556,706	2,769,020	84,325,726
Restricted For:			
Debt Service	101,373	0	101,373
Other Purposes	716,503	0	716,503
Unrestricted (Deficit)	(9,047,660)	1,364,254	(7,683,406)
Total Net Position	\$ 73,326,922	\$ 4,133,274	\$ 77,460,196

See accompanying notes to the basic financial statements

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CITY OF WICKLIFFE, OHIO

Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 7,866,945	\$ 484,349	\$ 59,714	\$ 0
Public Health and Welfare Services	103,204	7,310	46,353	0
Leisure Time Activities	1,005,595	297,461	90,141	0
Community Environment	158,599	407,815	0	0
Basic Utility Services	383,480	332,249	0	0
Transportation	4,047,529	0	670,924	449,425
General Government	5,655,384	512,817	0	0
Interest and Fiscal Charges	57,223	0	0	0
Total Governmental Activities	19,277,959	2,042,001	867,132	449,425
Business-Type Activities:				
Sewer	2,277,448	2,024,082	0	0
Total Business-Type Activities	2,277,448	2,024,082	0	0
Totals	\$ 21,555,407	\$ 4,066,083	\$ 867,132	\$ 449,425

General Revenues

Property Taxes
Municipal Income Taxes
Other Local Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Total General Revenues

Change in Net Position

Net Position Beginning of Year, as Restated
Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (7,322,882)	\$ 0	\$ (7,322,882)
(49,541)	0	(49,541)
(617,993)	0	(617,993)
249,216	0	249,216
(51,231)	0	(51,231)
(2,927,180)	0	(2,927,180)
(5,142,567)	0	(5,142,567)
(57,223)	0	(57,223)
(15,919,401)	0	(15,919,401)
0	(253,366)	(253,366)
0	(253,366)	(253,366)
(15,919,401)	(253,366)	(16,172,767)
2,015,866	0	2,015,866
9,192,265	0	9,192,265
200,292	0	200,292
693,650	0	693,650
48,612	0	48,612
347,580	0	347,580
12,498,265	0	12,498,265
(3,421,136)	(253,366)	(3,674,502)
76,748,058	4,386,640	81,134,698
\$ 73,326,922	\$ 4,133,274	\$ 77,460,196

CITY OF WICKLIFFE, OHIO

Balance Sheet
Governmental Funds
December 31, 2017

	General	Debt Service	Capital Projects
Assets:			
Cash and Cash Equivalents	\$ 4,267,725	\$ 80,235	\$ 455,750
Cash and Cash Equivalents with Fiscal Agent	0	966	0
Receivables:			
Taxes	1,813,864	171,328	496,490
Accounts	32,591	0	0
Intergovernmental	539,617	12,208	35,385
Interest	4,757	0	0
Special Assessments	0	0	0
Interfund Loans Receivables	80,000	0	0
Inventory of Supplies, at Cost	103,800	0	0
Prepaid Items	55,485	0	0
Total Assets	\$ 6,897,839	\$ 264,737	\$ 987,625
Liabilities:			
Accounts Payable	133,489	0	194,597
Accrued Wages and Benefits Payable	245,362	0	0
Matured Bonds and Interest Payable	0	966	0
Interfund Loans Payable	0	0	0
Total Liabilities	378,851	966	194,597
Deferred Inflows of Resources:			
Unavailable Amounts	451,010	23,518	68,053
Property Tax for Next Fiscal Year	1,113,169	160,018	463,822
Total Deferred Inflows of Resources	1,564,179	183,536	531,875
Fund Balances:			
Nonspendable	159,285	0	0
Restricted	0	80,235	0
Committed	0	0	261,153
Assigned	945,847	0	0
Unassigned	3,849,677	0	0
Total Fund Balances	4,954,809	80,235	261,153
Total Liabilities, Deferred Inflows of Resources			
and Fund Balances	\$ 6,897,839	\$ 264,737	\$ 987,625

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 975,984 0 148,946 225 364,836 0 16,674 0 0 0	\$ 5,779,694 966 2,630,628 32,816 952,046 4,757 16,674 80,000 103,800 55,485
\$ 1,506,665	\$ 9,656,866
62,959 2,048 0 80,000	391,045 247,410 966 80,000
145,007	719,421
241,570 139,144 380,714	784,151 1,876,153 2,660,304
980,944	6,277,141
0 474,933 515,718 0 (9,707)	159,285 555,168 776,871 945,847 3,839,970
980,944	6,277,141
\$ 1,506,665	\$ 9,656,866

CITY OF WICKLIFFE, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2017***

Total Governmental Fund Balances \$ 6,277,141

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 82,948,799

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Property Taxes	132,183	
Special Assessments	16,674	
Intergovernmental	<u>635,294</u>	784,151

The net pension liability is not due and payable in the current period;
therefore, the liability and related deferred inflows/outflows are not
reported in governmental funds:

Deferred Outflows - Pension	4,015,888	
Deferred Inflows - Pension	(629,328)	
Net Pension Liability	<u>(16,891,855)</u>	(13,505,295)

Accrued interest on outstanding debt is not due and payable in
the current period and, therefore, is not reported in the funds:
it is reported when due. (2,380)

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

General Obligation Bonds Payable	(1,195,000)	
Ohio Public Works Commission Loan Payable	(197,093)	
Deferred Loss on Debt Refunding	20,889	
Compensated Absences Payable	<u>(1,804,290)</u>	<u>(3,175,494)</u>

Net Position of Governmental Activities \$ 73,326,922

See accompanying notes to the basic financial statements

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CITY OF WICKLIFFE, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2017

	General	Debt Service	Capital Projects
Revenues:			
Property Taxes	\$ 1,169,647	\$ 170,585	\$ 487,352
Municipal Income Tax	9,232,824	0	0
Other Local Taxes	200,292	0	0
State Levied Shared Taxes	937,813	0	0
Intergovernmental Revenues	225,332	25,114	426,025
Charges for Services	347,841	0	0
Licenses and Permits	726,961	0	0
Investment Earnings	48,612	0	0
Special Assessments	0	0	1,496
Fines and Forfeitures	136,595	0	0
All Other Revenue	127,833	0	0
Total Revenue	13,153,750	195,699	914,873
Expenditures:			
Current:			
Security of Persons and Property	6,615,485	0	0
Public Health and Welfare Services	9,025	0	0
Leisure Time Activities	218,620	0	0
Community Environment	151,630	0	0
Basic Utility Services	37,509	0	0
Transportation	1,234,163	0	0
General Government	4,727,937	0	0
Capital Outlay	0	0	1,537,636
Debt Service:			
Principal Retirement	0	165,000	36,582
Interest & Fiscal Charges	0	57,125	0
Total Expenditures	12,994,369	222,125	1,574,218
Excess (Deficiency) of Revenues Over Expenditures	159,381	(26,426)	(659,345)
Other Financing Sources (Uses):			
Sale of Capital Assets	0	0	8,196
OPWC Loans Issued	0	0	74,135
Payments to Refunding Bonds Escrow Agent	0	(1,383,873)	0
Refunding General Obligation Bonds Issued	0	1,360,000	0
Transfers In	38,195	0	10,462
Transfers Out	(164,288)	0	0
Total Other Financing Sources (Uses)	(126,093)	(23,873)	92,793
Net Change in Fund Balances	33,288	(50,299)	(566,552)
Fund Balances at Beginning of Year	4,901,392	130,534	827,705
Increase in Inventory Reserve	20,129	0	0
Fund Balances End of Year	\$ 4,954,809	\$ 80,235	\$ 261,153

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 146,214	\$ 1,973,798
0	9,232,824
0	200,292
642,482	1,580,295
139,668	816,139
194,200	542,041
0	726,961
0	48,612
378,542	380,038
0	136,595
100,900	228,733
<u>1,602,006</u>	<u>15,866,328</u>
161,928	6,777,413
94,179	103,204
456,971	675,591
0	151,630
337,491	375,000
571,719	1,805,882
56,554	4,784,491
0	1,537,636
0	201,582
0	57,125
<u>1,678,842</u>	<u>16,469,554</u>
(76,836)	(603,226)
1,610	9,806
0	74,135
0	(1,383,873)
0	1,360,000
153,826	202,483
<u>(38,195)</u>	<u>(202,483)</u>
<u>117,241</u>	<u>60,068</u>
40,405	(543,158)
940,539	6,800,170
0	20,129
<u>\$ 980,944</u>	<u>\$ 6,277,141</u>

CITY OF WICKLIFFE, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2017***

Net Change in Fund Balances - Total Governmental Funds \$ (543,158)

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	1,112,616	
Depreciation	<u>(2,501,224)</u>	(1,388,608)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (437,408)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Municipal Income Taxes	(40,559)	
Property Taxes	42,068	
Special Assessments	7	
Intergovernmental	<u>(20,827)</u>	(19,311)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,265,343

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (2,393,294)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

OPWC Loan Principal	36,582	
OPWC Loan Issued	(74,135)	
General Obligation Bonds Principal	1,525,000	
General Obligation Bonds Issued	(1,360,000)	
Deferred Loss on Debt Refunding	23,873	
Amortization of Deferred Loss on Debt Refunding	<u>(2,984)</u>	148,336

(Continued)

CITY OF WICKLIFFE, OHIO

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable	2,886
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Supplies Inventory	20,129	
Increase in Compensated Absences Payable	<u>(76,051)</u>	<u>(55,922)</u>

<i>Change in Net Position of Governmental Activities</i>	<u>\$ (3,421,136)</u>
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See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,192,000	\$ 1,192,000	\$ 1,173,531	\$ (18,469)
Municipal Income Tax	9,333,200	9,333,200	10,337,306	1,004,106
Other Local Taxes	214,200	214,200	204,975	(9,225)
State Levied Shared Taxes	985,167	985,167	931,472	(53,695)
Intergovernmental Revenue	174,200	233,914	231,932	(1,982)
Charges for Services	340,000	340,000	344,994	4,994
Licenses and Permits	579,100	581,730	726,961	145,231
Investment Earnings	25,500	25,500	43,855	18,355
Fines and Forfeitures	140,080	140,080	135,133	(4,947)
All Other Revenues	103,600	103,600	128,296	24,696
Total Revenues	<u>13,087,047</u>	<u>13,149,391</u>	<u>14,258,455</u>	<u>1,109,064</u>
Expenditures:				
Current:				
Security of Persons and Property	6,625,713	6,723,465	6,642,390	81,075
Public Health and Welfare Services	15,000	15,000	9,785	5,215
Leisure Time Activities	239,657	243,764	222,563	21,201
Community Environment	154,326	153,926	151,292	2,634
Basic Utility Services	55,500	55,500	39,527	15,973
Transportation	1,242,694	1,247,079	1,247,079	0
General Government	4,799,678	4,820,970	4,739,037	81,933
Total Expenditures	<u>13,132,568</u>	<u>13,259,704</u>	<u>13,051,673</u>	<u>208,031</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,521)	(110,313)	1,206,782	1,317,095
Other Financing Sources (Uses):				
Transfers In	38,195	38,195	38,195	0
Transfers Out	(168,000)	(168,000)	(164,288)	3,712
Advances In	20,000	20,000	0	(20,000)
Total Other Financing Sources (Uses):	<u>(109,805)</u>	<u>(109,805)</u>	<u>(126,093)</u>	<u>(16,288)</u>
Net Change In Fund Balance	(155,326)	(220,118)	1,080,689	1,300,807
Fund Balance at Beginning of Year	3,044,712	3,044,712	3,044,712	0
Prior Year Encumbrances	21,296	21,296	21,296	0
Fund Balance at End of Year	<u>\$ 2,910,682</u>	<u>\$ 2,845,890</u>	<u>\$ 4,146,697</u>	<u>\$ 1,300,807</u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Business-Type Activities Enterprise Fund <u>Sewer</u>
Assets:	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 734,612
Receivables:	
Accounts	<u>759,039</u>
<i>Total Current Assets</i>	1,493,651
<i>Non Current Assets:</i>	
Capital Assets, Net	<u>2,769,020</u>
Total Assets	<u>4,262,671</u>
Liabilities:	
<i>Current Liabilities:</i>	
Accounts Payable	<u>129,397</u>
Total Liabilities	<u>129,397</u>
Net Position:	
Net Investment in Capital Assets	2,769,020
Unrestricted	<u>1,364,254</u>
Total Net Position	<u>\$ 4,133,274</u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities Enterprise Fund <u>Sewer</u>
Operating Revenues:	
Charges for Services	\$ 2,024,082
Total Operating Revenues	<u>2,024,082</u>
Operating Expenses:	
Contractual Services	2,148,209
Depreciation	129,239
Total Operating Expenses	<u>2,277,448</u>
Operating Loss	(253,366)
Net Position Beginning of Year	<u>4,386,640</u>
Net Position End of Year	<u>\$ 4,133,274</u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities <u>Enterprise Funds</u> <u>Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$2,038,340
Cash Payments for Goods and Services	<u>(2,018,812)</u>
Net Cash Provided by Operating Activities	<u>19,528</u>
Net Increase in Cash and Cash Equivalents	19,528
Cash and Cash Equivalents at Beginning of Year	<u>715,084</u>
Cash and Cash Equivalents at End of Year	<u><u>\$734,612</u></u>
<u>Reconciliation of Operating Loss to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Loss	(\$253,366)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	129,239
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	14,258
Increase in Accounts Payable	<u>129,397</u>
Total Adjustments	<u>272,894</u>
Net Cash Provided by Operating Activities	<u><u>\$19,528</u></u>

See accompanying notes to the basic financial statements

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wickliffe, Ohio (the City) is a home-rule municipal corporation created under the laws of the State of Ohio. The current Charter, which provides for a Council-Mayor form of government was adopted on July 17, 1951, and has subsequently been amended.

The accompanying basic financial statements of the City are presented as of December 31, 2017 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and maintains the wastewater collection system which is reported as an enterprise fund. Wastewater treatment services are provided to the City of Wickliffe by the City of Euclid, Ohio, which owns and operates the wastewater treatment facilities.

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity and natural gas. NOPEC is currently comprised of over 100 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity and natural gas to the citizens of its member communities.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Wickliffe did not contribute to NOPEC during 2017. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures (expenses). The following fund types are used by the City:

Governmental Funds

The governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities and deferred inflows of resources are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the limitations of the City Charter.

Debt Service Fund - This fund is used to account for financial resources to be used for the principal and interest payments on the City's debt.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise fund is:

Sewer Fund - This fund is used to account for the operation of the City's sanitary sewer service.

C. Basis of Presentation - Financial Statements

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which the City considers to be 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2017, but which are not intended to finance 2017 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

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CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Inflows/Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

F. Budgetary Process

The annual budgetary process is prescribed by Charter and by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds, other than agency funds, are legally required to be budgeted and appropriated; however, only certain major governmental funds are required to be reported. The primary level of budgetary control for all funds involving operations is at the object level within each department. Certain funds are appropriated at the minimum level of budgetary control (personal services) as required by Ohio Revised Code section 5705.38 (c) due to the restricted nature of the use of these funds. Budgetary modifications may only be made by ordinance of the City Council.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

1. Tax Budget

By July 15, the Mayor submits an annual tax budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Budget Commission then certifies its actions to the City by September 1st of each year. As part of the certification process the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during 2017.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1st of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the object level within each department for all funds involving operations. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among funds at the object level within each department may be modified during the year by an ordinance of City Council. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances— Budget and Actual (Non-GAAP Budgetary Basis —General Fund" is provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues are recorded when received in cash and expenditures are recorded when paid or encumbered. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund:

Net Change In Fund Balance	General Fund
GAAP Basis (as reported)	\$33,288
Increase (Decrease):	
Accrued Revenues at December 31, 2017 received during 2018	(906,650)
Accrued Revenues at December 31, 2016 received during 2017	2,017,011
Accrued Expenditures at December 31, 2017 paid during 2018	378,851
Accrued Expenditures at December 31, 2016 paid during 2017	(307,019)
2016 Prepays for 2017	41,720
2017 Prepays for 2018	(55,485)
Encumbrances Outstanding	(121,027)
Budget Basis	<u>\$1,080,689</u>

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, The State Treasury Asset Reserve (STAR Ohio) and short-term certificates of deposit with an original maturity of three months or less. Certificates of deposit meeting the previously noted maturity limit and STAR Ohio are considered cash equivalents because they are highly liquid investments.

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each had maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary fund considers its share of equity in pooled certificates of deposit with original maturities of three months or less and STAR Ohio to be cash equivalents. See Note 5, "Pooled Cash, Cash Equivalents and Investments."

H. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. Certificates of deposit with original maturities of more than three months are reported as investments in the basic financial statements. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*," the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost. See Note 5 "Pooled Cash, Cash Equivalents and Investments." The City allocates all interest on pooled investments to the General Fund.

During 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "*Certain External Investment Pools and Pool Participants*." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

During the year, the City invested in repurchase agreements, but at year end the City was not invested in any repurchase agreements.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost (first-in, first-out) or market in the proprietary fund. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and expenses in the proprietary fund when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000. The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, "*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*", has been reported.

2. Property, Plant and Equipment – Business Type Activities

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation (Continued)

3. Depreciation

All capital assets are depreciated, excluding land. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	15 - 40
Improvements other than Buildings	65
Infrastructure	10 - 50
Machinery, Equipment, Furniture and Fixtures	5 - 10

L. Long-Term Obligations

Long-Term obligations are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
Compensated Absences	General Fund
Pension Liabilities	General Fund
General Obligation Bonds	Debt Service Fund

M. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation, sick time and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City has no formal policy authorizing a body or official to assign amounts for specific purposes.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances (Continued)

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

P. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

R. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

U. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF AN ACCOUNTING ERROR AND RESTATEMENT OF NET POSITION

For fiscal year 2017, the City has implemented GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, GASB Statement No. 80 “Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14”, GASB Statement No. 81, “Irrevocable Split-Interest Agreements”, and GASB Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.”

GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE, CORRECTION OF AN ACCOUNTING ERROR AND RESTATEMENT OF NET POSITION (Continued)

The City had an error in the posting of infrastructure capital assets. To properly present the correct capital asset balance in the City’s statement of net position, it is necessary to restate the beginning net position balance at January 1, 2017.

The correction of the accounting error had the following effect on net position as reported December 31, 2016:

	Governmental
	Activities
	<hr/>
Net Position December 31, 2016	\$74,886,931
Adjustments:	
Correction to capital asset balance	1,861,127
Restated Net Position December 31, 2016	<hr/> <hr/>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficit at December 31, 2017 of \$9,707 in the Street Lighting Fund (special revenue fund), arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis. The deficit does not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 4 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$103,800	\$0	\$0	\$0	\$103,800
Prepaid Items	55,485	0	0	0	55,485
Total Nonspendable	<u>159,285</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>159,285</u>
Restricted:					
Debt Service Payments	0	80,235	0	0	80,235
State Highway Improvements	0	0	0	20,176	20,176
City Highway Improvements	0	0	0	241,052	241,052
Weed Control	0	0	0	144,991	144,991
Police Pension	0	0	0	18,828	18,828
Fire Pension	0	0	0	18,828	18,828
Law Enforcement Trust	0	0	0	31,058	31,058
Total Restricted	<u>0</u>	<u>80,235</u>	<u>0</u>	<u>474,933</u>	<u>555,168</u>
Committed:					
Laketran	0	0	0	4,332	4,332
Senior Center	0	0	0	139,407	139,407
Insurance	0	0	0	369	369
Swimming Pool	0	0	0	9,287	9,287
Golf Course	0	0	0	211,100	211,100
Capital Projects	0	0	261,153	0	261,153
Police, Fire and Disaster	0	0	0	4,966	4,966
Deposits	0	0	0	146,257	146,257
Total Committed	<u>0</u>	<u>0</u>	<u>261,153</u>	<u>515,718</u>	<u>776,871</u>
Assigned	945,847	0	0	0	945,847
Unassigned	3,849,677	0	0	(9,707)	3,839,970
Total Fund Balances	<u>\$4,954,809</u>	<u>\$80,235</u>	<u>\$261,153</u>	<u>\$980,944</u>	<u>\$6,277,141</u>

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of a majority of individual funds are combined to form a pool of cash and cash equivalents. Each fund's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents."

Ohio law requires the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "cash equivalent" status for immediate use by the City. Such funds must be maintained either as cash in the City treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment earnings of \$16,765 earned by other funds were credited to the General Fund as required by state statute.

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City's deposits was \$2,271,580 and the bank balance was \$2,032,169. Federal depository insurance covered \$250,000 of the bank balance and \$1,782,169 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name and securities held in the Ohio Pooled Collateral System.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 5 - POOLED CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments

The City's investments at December 31, 2017 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)	
				less than 1	1-3
STAR Ohio	\$4,236,954	AAAm ¹	N/A	\$4,243,692	0

¹ Standard & Poor's

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The City's investment policy addresses credit risk by limiting investments to the safest types of securities, pre-qualifying financial institutions, brokers, intermediaries and financial advisors and by diversifying the investment portfolio so that potential losses on individual securities do not exceed income generated from the remaining portfolio.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with custodial credit risk beyond the requirements of State statute which prohibit payment for investments prior to the delivery of the securities representing the investments to the treasurer or qualified trustee.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer.

C. Reconciliation of Cash, Cash Equivalents and Investments

A reconciliation between classifications of cash and investments on the combined financial statements is as follows:

	Cash and Cash Equivalents *	Investments
Per Financial Statements	\$6,515,272	\$0
Investments:		
STAR Ohio	(4,243,692)	4,243,692
Per Footnote	<u>\$2,271,580</u>	<u>\$4,243,692</u>

* Includes Cash with Fiscal Agent.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property which is used in business, located in the City. Real property taxes (other than public utility) collected during 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, the lien date. Assessed values are established by the county auditor at 35 percent of appraised market value. All property must be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed in 2012. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 25 percent of its true value and public utility real property is assessed at 35 percent of appraised market value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Wickliffe. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2017, was \$8.11 per \$1,000 of assessed value. The assessed value upon which the 2017 property tax receipts were based was \$278,044,850. This amount constitutes \$265,926,160 in real property assessed value and \$12,118,690 in public utility assessed value.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 6 – TAXES (Continued)

A. Property Taxes (Continued)

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .811% (8.11 mills) of assessed value.

B. Income Tax

The City levies a tax of 2% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 7 – TAX ABATEMENT DISCLOSURE

Income Tax Abatement

As of December 31, 2017, the City provides income tax incentives under an income tax incentive grant with Parker Hannifin Corporation.

The purpose of the grant is to maintain Wickliffe’s competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code Chapter 718 and City ordinance, the City provides an incentive to Parker Hannifin Corporation the company based upon the company’s gross annual payroll, the amount of income tax generated annually by the business. The abatement is administered by the City paying Parker Hannifin, through non-tax revenues, a sum equal to 40% of the City payroll withholding taxes in excess of the base withholding. This amount will be paid on an annual basis on or before June 30 of the succeeding year for the preceding calendar year in which payroll withholding taxes were paid and received.

Below is the information relevant to the disclosure of this program for the year ended December 31, 2017.

Tax Abatement	Total Amount of Taxes Abated (Incentives Abated For the Year 2017 In Actual Dollars)
<i>Parker Hannifin Corporation (2013 - 2021)</i> - Gross Dollar amount of taxes abated during 2017	\$42,465

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017, consisted of taxes, interest, accounts receivable, interfund and intergovernmental receivables arising from shared revenues.

NOTE 9 - TRANSFERS

The following is a summary of transfers for all funds for 2017:

Transfers In:	Transfers Out:		
	General Fund	Other Governmental Funds	Total
General Fund	\$0	\$38,195	\$38,195
Capital Projects Fund	10,462	0	10,462
Other Governmental Funds	153,826	0	153,826
	<u>\$164,288</u>	<u>\$38,195</u>	<u>\$202,483</u>

-

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2017:

Historical Cost:

Class	Restated December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$19,162,320	\$0	\$0	\$19,162,320
<i>Capital assets being depreciated:</i>				
Buildings	11,768,022	3,653	0	11,771,675
Improvements Other Than Buildings	4,203,211	0	0	4,203,211
Machinery and Equipment	10,819,383	362,953	(107,333)	11,075,003
Infrastructure	79,120,111	746,010	(706,626)	79,159,495
Total Cost	<u>\$125,073,047</u>	<u>\$1,112,616</u>	<u>(\$813,959)</u>	<u>\$125,371,704</u>

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings	(\$3,923,623)	(\$287,013)	\$0	(\$4,210,636)
Improvements Other Than Buildings	(2,023,347)	(209,081)	0	(2,232,428)
Machinery and Equipment	(8,473,500)	(503,027)	103,139	(8,873,388)
Infrastructure	(25,877,762)	(1,502,103)	273,412	(27,106,453)
Total Depreciation	<u>(\$40,298,232)</u>	<u>(\$2,501,224)</u>	<u>\$376,551</u>	<u>(\$42,422,905)</u>
<i>Net Value:</i>	<u>\$84,774,815</u>			<u>\$82,948,799</u>

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CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 - CAPITAL ASSETS (continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$336,370
Leisure Time Activities	302,053
Transportation	1,748,566
General Government	114,235
Total Depreciation Expense	\$2,501,224

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2017:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets being depreciated:</i>				
Utility Structures in Service	\$11,570,120	\$0	\$0	\$11,570,120
Total Cost	\$11,570,120	\$0	\$0	\$11,570,120

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Utility Structures in Service	(\$8,671,861)	(\$129,239)	\$0	(\$8,801,100)
Total Depreciation	(\$8,671,861)	(\$129,239)	\$0	(\$8,801,100)
<i>Net Value:</i>	\$2,898,259			\$2,769,020

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CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees other than full-time police participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Final average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$379,069 for 2017.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$886,274 for 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$5,219,041	\$11,672,814	\$16,891,855
Proportion of the Net Pension Liability-2017	0.022983%	0.184291%	
Proportion of the Net Pension Liability-2016	0.024669%	0.193768%	
Percentage Change	(0.001686%)	(0.009477%)	
Pension Expense	\$1,038,125	\$1,355,168	\$2,393,293

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$777,236	\$1,135,130	\$1,912,366
Changes in assumptions	827,803	0	827,803
Differences between expected and actual experience	7,074	3,302	10,376
City contributions subsequent to the measurement date	379,069	886,274	1,265,343
Total Deferred Outflows of Resources	<u>\$1,991,182</u>	<u>\$2,024,706</u>	<u>\$4,015,888</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$31,060	\$26,874	\$57,934
Change in proportionate share	143,225	428,169	571,394
Total Deferred Inflows of Resources	<u>\$174,285</u>	<u>\$455,043</u>	<u>\$629,328</u>

\$1,265,343 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2018	\$583,482	\$346,809	\$930,291
2019	606,716	346,809	953,525
2020	270,412	243,942	514,354
2021	(22,782)	(161,316)	(184,098)
2022	0	(84,526)	(84,526)
2023	0	(8,329)	(8,329)
Total	<u>\$1,437,828</u>	<u>\$683,389</u>	<u>\$2,121,217</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$7,973,250	\$5,219,041	\$2,923,893

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016 is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected *	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Real Assets	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	<u>120.00 %</u>	

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$15,546,804	\$11,672,814	\$8,389,553

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. This trust is also used to fund health care for Member Directed Plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed Plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS may be set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were \$27,076, \$59,420 and \$68,377, respectively, which were equal to the required contributions for each year.

B. Ohio Police and Fire Pension Fund (“OP&F”)

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% of covered payroll for police. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

CITY OF WICKLIFFE, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2017, 2016, and 2015 were \$12,295, \$11,642 and \$11,942 for police and \$8,474, \$8,439 and \$8,393 for firefighters, respectively, which were equal to the required contributions for each year.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 13 – COMPENSATED ABSENCES

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation and compensatory time are accrued as liabilities when an employee’s right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2017, the City's accumulated, unpaid compensated absences amounted to \$1,804,290, which is recorded as a liability of the Governmental Activities.

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CITY OF WICKLIFFE, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 14 - LONG-TERM DEBT

Long-Term debt of the City at December 31, 2017 was as follows:

Year Issued	Final Maturity	Balance December 31, 2016	Additions	(Reductions)	Balance December 31, 2017	Amounts Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
2006 Parks and Recreational Bond	2025	\$1,360,000	\$0	(\$1,360,000)	\$0	\$0
2017 Parks and Recreational Bond Refunding	2024	0	1,360,000	(165,000)	1,195,000	155,000
Total General Obligation Bonds		1,360,000	1,360,000	(1,525,000)	1,195,000	155,000
OPWC Loan:						
2012 Worden Road Waterline	2017	\$15,000	\$0	(\$15,000)	\$0	\$0
2013 Worden Road Waterline	2019	28,117	0	(7,029)	21,088	14,059
2015 Grand Boulevard Improvement	2020	116,423	0	(14,553)	101,870	29,105
2017 Grand Boulevard Improvement	2022	0	74,135	0	74,135	0
Total OPWC Loans		159,540	74,135	(36,582)	197,093	43,164
Compensated Absences		1,732,196	1,804,290	(1,732,196)	1,804,290	200,259
Net Pension Liability		16,738,269	153,586	0	16,891,855	0
Total Governmental Long-Term Debt		\$19,990,005	\$3,392,011	(\$3,293,778)	\$20,088,238	\$398,423

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2017, follows:

Years	General Obligation Bond Payable		OPWC Loan Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$155,000	\$28,560	\$43,164	\$0	\$198,164	\$28,560
2019	165,000	24,856	29,106	0	194,106	24,856
2020	170,000	20,912	29,106	0	199,106	20,912
2021	170,000	16,850	21,582	0	191,582	16,850
2022	175,000	12,786	0	0	175,000	12,786
2023-2024	360,000	12,906	0	0	360,000	12,906
Totals	\$1,195,000	\$116,870	\$122,958	\$0	\$1,317,958	\$116,870

On March 15, 2017, the City refunded \$1,360,000 of outstanding bonds (the "2006 Bonds") with an interest rate of 3.50% with \$1,360,000 refunding bonds issued in March 2017. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. This transaction resulted in a savings to the City of \$111,230.

An OPWC loan in the amount of \$74,135 is not included in the above maturity tables. The construction has started, but the loan is not payable until the construction is completed. At that time, loan payments will be determined.

CITY OF WICKLIFFE, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 15 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is a member of the Ohio Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

The following is a summary of insurance coverages at year end:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
Comprehensive General Liability	\$6,000,000	\$0
Law Enforcement Professional Liability	6,000,000	10,000
Public Officials Errors and Omissions	6,000,000	10,000
Property	38,552,049	1,000
Bond/Crime	50,000	0
Boiler and Machinery	38,552,049	1,000
Automobile Liability	6,000,000	1,000

The City provides major medical health insurance coverage for its employees through United Health Care.

Settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years. Coverage has not been materially decreased during the year.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. Unemployment claims are paid to the Ohio Department of Job and Family Services as incurred.

NOTE 16 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WICKLIFFE, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Four Years***

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
City's proportion of the net pension liability (asset)	0.026830%	0.026830%	0.024669%	0.022983%
City's proportionate share of the net pension liability (asset)	\$3,162,907	\$3,235,998	\$4,273,057	\$5,219,041
City's covered-employee payroll	\$3,733,523	\$3,327,592	\$3,418,692	\$2,971,017
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	84.72%	97.25%	124.99%	175.67%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
City's proportion of the net pension liability (asset)	0.2054653%	0.2054653%	0.193768%	0.184291%
City's proportionate share of the net pension liability (asset)	\$10,006,805	\$10,643,959	\$12,465,212	\$11,672,814
City's covered-employee payroll	\$5,110,966	\$4,223,492	\$4,222,409	\$4,166,740
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	195.79%	252.02%	295.22%	280.14%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF WICKLIFFE, OHIO

***Schedule of City Contributions
Last Five Years***

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016	2017
Contractually required contribution	\$485,358	\$399,311	\$410,243	\$356,522	\$379,069
Contributions in relation to the contractually required contribution	<u>485,358</u>	<u>399,311</u>	<u>410,243</u>	<u>356,522</u>	<u>379,069</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$3,733,523	\$3,327,592	\$3,418,692	\$2,971,017	\$3,158,908
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016	2017
Contractually required contribution	\$872,953	\$859,903	\$848,282	\$837,098	\$886,274
Contributions in relation to the contractually required contribution	<u>872,953</u>	<u>859,903</u>	<u>848,282</u>	<u>837,098</u>	<u>886,274</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,110,966	\$4,223,492	\$4,222,409	\$4,166,740	\$4,411,518
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%	20.09%	20.09%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.
Information prior to 2013 is not available.

CITY OF WICKLIFFE, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board's investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities the plan will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

There have been no plan amendments adopted or changes in assumptions since the latest actuarial valuation, as of January 1, 2016, with actuarial liability rolled forward to December 31, 2016. The assumed investment rate of return and the discount rate is 8.25 percent.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

City of Wickliffe
Lake County
28730 Ridge Road
Wickliffe, OH 44092

Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wickliffe, Lake County, Ohio, (the City) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 19, 2019, wherein we noted the city adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
June 19, 2019

OHIO AUDITOR OF STATE KEITH FABER



CITY OF WICKLIFFE

LAKE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 8, 2019**